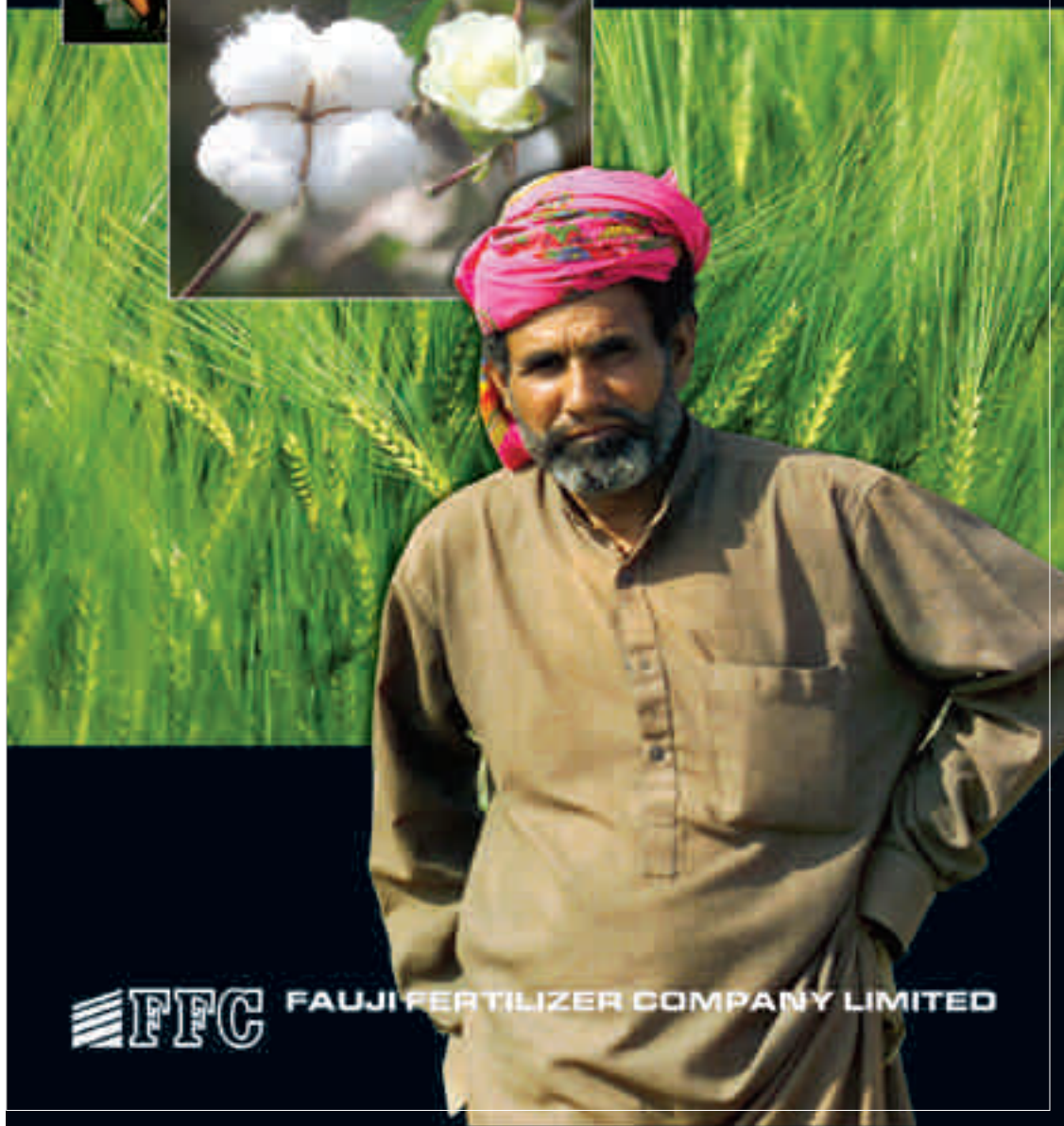


Quarterly Financial Statements

March 31, 2005 (Un-Audited)



FAUJI FERTILIZER COMPANY LIMITED

Company Information

BOARD OF DIRECTORS

Lt Gen Syed Muhammad Amjad, HI, HI(M) (Retired)
Chairman

Lt Gen Mahmud Ahmed, HI(M) (Retired)
Chief Executive and Managing Director

Dr Haldor Topsoe
Mr Qaiser Javed
Brig Arshad Shah, SI(M) (Retired)
Mr Tariq Iqbal Khan
Brig Aftab Ahmed, SI(M) (Retired)
Brig Ghazanfar Ali, SI(M) (Retired)
Syed Zaheer Ali Shah
Mr Khawar Saeed
Dr Nadeem Inayat
Mr Nadir Rahman
Mr Istaqbal Mehdi

SECRETARY

Brig Muhammad Saleem Suleman, SI(M) (Retired)

REGISTERED OFFICE

93-Harley Street, Rawalpindi Cantt.
Website: www.ffc.com.pk
E-mail: ffcrwp@ffc.com.pk

PLANTSITES

Goth Machhi, Sadikabad
(Distt : Rahim Yar Khan)

Mirpur Mathelo
(Distt: Ghotki)

MARKETING DIVISION

Lahore Trade Centre,
11 Shahrah-e-Aiwan-e-Tijarat, Lahore

KARACHI OFFICE

B-35, KDA Scheme No. 1
Karachi

AUDITORS

M/s Taseer Hadi Khalid & Co.
Chartered Accountants



Farmer Friendly Culture



Directors' Review

for the Quarter Ended March 31, 2005

Dear Members,

The Board is pleased to present the un-audited financial statements of your Company for the first quarter of 2005 together with consolidated financial statements of the Company and its subsidiary Fauji Fertilizer Bin Qasim Limited (FFBL).

The year commenced with a buoyant urea demand for kharif as experienced towards the end of last year and the value addition to shareholders continued through enhanced quarterly gross and after tax profits of Rs. 1,803 million and Rs. 833 million respectively, attributed mainly to 20% increase in all product revenues. Earnings per share stood at Rs. 2.46 which was better than Rs. 2.08 for the same period last year. The improvements, compared to results for the corresponding period of 2004, were achieved through record operational growth with a 4% increase in total urea output of 524 thousand tonnes and increased urea offtake of 551 thousand tonnes, including 29 thousand tonnes of imported urea.

Industry urea offtake was recorded at 1,158 thousand tonnes which surged by 36% over 852 thousand tonnes marketed last year owing to better water availability, good commodity prices and speculative buying by dealers anticipating short

supplies during kharif. The Industry carried 86% lower opening inventory of 26 thousand tonnes at the start of the year as compared to 2004. Uninterrupted gas supply to all the urea plants enabled an output of 1,115 thousand tonnes which increased by 15% over production during the corresponding period last year. 57 thousand tonnes were imported during the three months to bridge the demand and supply gap.

FFC's urea offtake grew by 10 % over last year and the Company marketed almost 100 % of its production during the quarter. Production efficiencies were improved through commissioning of two new natural gas booster compressors at Goth Machhi for Plants I & II, two months ahead of plan, which enabled the Company to overcome natural gas pressure limitations. Both the plants achieved highest ever daily urea and ammonia production with increased operating efficiencies of 115% of name plate capacity with combined production of 383 thousand tonnes.

Plant III - Mirpur Mathelo also achieved highest daily and monthly urea and ammonia production during January 2005. Annual maintenance turnaround of the plant commenced in March 2005 and the plant attained the target production level of 141 thousand tonnes.

The Company marketed 158 thousand tonnes of 'Sona' Granular on behalf of FFBL and our collective market share stood at 62%. DAP production was recorded at 106 thousand tonnes as compared to 77 thousand tonnes last year and the industry carried 90 thousand tonnes of DAP inventory at the end of the quarter which was more than double the magnitude of last year's closing stock. Company 'Sona' DAP sales were recorded at 58 thousand tonnes as against 57 thousand tonnes sold last year, attaining 116% of targets and represented 68% of the market. All product domestic sales of the Company were 781 thousand tonnes with target achievement of 133%, which were higher by 26% over 618 thousand tonnes sold during the same period last year.

Company's concerted marketing efforts resulted in all product revenue increase by Rs. 769 million over Rs. 3.80 billion during January to March last year which boosted gross and net profits by 15% and 18% respectively over the same period of last year, despite a Rs. 15.02 per MMBTU increase in the price of fuel gas during the quarter. The Company contributed around Rs.2 billion to the national exchequer by way of taxes, levies, excise duty, sales tax and surcharge on gas.

Share certificates for the 15% bonus issue approved by the shareholders in their meeting held on February 28, 2005 were issued during the quarter and the share capital of the Company stands increased to Rs. 3.39 billion. The board is pleased to announce first interim cash dividend of Rs.2.50 per share (25%) for 2005 and recommends a bonus dividend of 15% for approval of the members of the Company through their meeting to be held in due course.

Improved production efficiencies together with dynamic marketing synergies provide us with the necessary tools to cater for the robust urea demand and strengthen our market share. These factors, combined with enhanced economic indicators, point towards yet another profitable year for the Company and the shareholders.

On behalf of the Board



CHAIRMAN

Lt Gen Syed Muhammad Amjad

HI, HI(M) (Retired)

Rawalpindi

April 26, 2005

Balance Sheet

	Note	March 31, 2005	December 31, 2004
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	3,392,158	2,949,703
Capital reserve		160,000	160,000
Reserve for issue of bonus shares		508,824	442,455
Revenue reserves	5	8,182,328	8,742,749
		12,243,310	12,294,907
NON CURRENT LIABILITIES	6	2,760,157	2,868,403
DEFERRED TAXATION		2,371,000	2,407,000
CURRENT LIABILITIES			
Trade and other payables		2,826,246	5,831,105
Interest and mark – up accrued		77,843	74,233
Short term borrowings		100,000	100,000
Current portion of long term:			
– Financing		1,787,869	2,184,088
– Loan		1,741	1,741
– Murabaha		83,333	83,333
Taxation		1,076,878	598,297
		5,953,910	8,872,797
CONTINGENCIES AND COMMITMENTS	7		
		23,328,377	26,443,107

The annexed notes 1 to 15 form an integral part of these financial statements.

As At March 31, 2005 (Un-Audited)

	Note	March 31, 2005	December 31, 2004
		(Rupees '000)	
PROPERTY, PLANT AND EQUIPMENT	8	9,139,290	9,180,716
GOODWILL		1,752,309	1,778,464
LONG TERM INVESTMENTS	9	5,982,087	5,866,999
LONG TERM LOANS AND ADVANCES		64,761	67,328
LONG TERM DEPOSITS AND PREPAYMENTS		3,130	3,492
CURRENT ASSETS			
Stores, spares and loose tools		1,800,052	1,727,309
Stock in trade		141,641	219,180
Trade debts		439,080	1,407,736
Loans and advances		87,208	86,368
Deposits and prepayments		148,231	24,633
Other receivables		540,732	560,895
Short term investments	10	1,636,916	4,464,157
Cash and bank balances		1,592,940	1,055,830
		6,386,800	9,546,108
		23,328,377	26,443,107


Chairman


Chief Executive


Director

Profit and Loss Account

for the first quarter ended March 31, 2005 (Un-Audited)

	Note	March 31, 2005	March 31, 2004
		(Rupees '000)	
Sales		4,564,140	3,795,370
Cost of sales	11	2,761,456	2,230,744
GROSS PROFIT		1,802,684	1,564,626
Distribution cost		418,863	381,695
		1,383,821	1,182,931
Finance cost		71,750	72,839
Other expenses		126,323	112,092
		1,185,748	998,000
Other income		120,566	109,560
NET PROFIT BEFORE TAXATION		1,306,314	1,107,560
Provision for taxation		473,000	401,000
NET PROFIT AFTER TAXATION		833,314	706,560
Earnings per share - basic and diluted (Rupees)	12	2.46	2.08

The annexed notes 1 to 15 form an integral part of these financial statements.


Chairman


Chief Executive


Director

Cash Flow Statement

for the first quarter ended March 31, 2005 (Un-Audited)

	Note	March 31, 2005	March 31, 2004
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) /generated from operations	13	(18,541)	866,514
Finance cost paid		(68,140)	(63,412)
Income tax paid		(30,419)	(846,464)
Net cash used in operating activities		(117,100)	(43,362)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(127,866)	(120,620)
Proceeds from sale of property, plant and equipment		12,860	6,798
Interest received		81,502	84,232
Increase in investments		(329,947)	(25,653)
Net cash used in investing activities		(363,451)	(55,243)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		(502,572)	(150)
Long term loans - repayments		—	(870)
Short term borrowings		—	(1,486,120)
Dividends paid		(1,532,267)	(916,547)
Net cash used in financing activities		(2,034,839)	(2,403,687)
Net decrease in cash and cash equivalents		(2,515,390)	(2,502,292)
Cash and cash equivalents at beginning of the period		4,108,330	3,039,894
Cash and cash equivalents at close of the first quarter representing cash and bank balances		1,592,940	537,602

The annexed notes 1 to 15 form an integral part of these financial statements.


Chairman


Chief Executive


Director

Statement of Changes in Equity

for the first quarter ended March 31, 2005 (Un-Audited)

	Share capital	Capital reserve	Reserve for issue of bonus shares	General reserve	Unappropriated profit	Total
	(Rupees '000)					
Balance at January 1, 2004	2,564,959	160,000	–	8,600,000	197,753	11,522,712
Net profit for the quarter ended March 31, 2004	–	–	–	–	706,560	706,560
Dividends						
First interim Rs. 3.25 per share	–	–	–	–	(833,612)	(833,612)
Balance at March 31, 2004	2,564,959	160,000	–	8,600,000	70,701	11,395,660
Balance at January 1, 2005	2,949,703	160,000	442,455	7,450,000	1,292,749	12,294,907
Net profit for the quarter ended March 31, 2005	–	–	–	–	833,314	833,314
Dividends						
Final 2004:Rs. 3.00 per share	–	–	–	–	(884,911)	(884,911)
Transfer from unappropriated profit	–	–	508,824	–	(508,824)	–
Bonus shares issued	442,455	–	(442,455)	–	–	–
Balance at March 31, 2005	3,392,158	160,000	508,824	7,450,000	732,328	12,243,310

The annexed notes 1 to 15 form an integral part of these financial statements.


Chairman


Chief Executive


Director

Notes to the Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

1. Fauji Fertilizer Company Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Act, 1913, (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered office of the Company is situated in Rawalpindi, Pakistan. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers and chemicals, including investment in other fertilizer and chemical manufacturing operations.
2. These financial statements are unaudited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. These financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard 34: Interim Financial Reporting.
3. Accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended December 31, 2004 except that due to changes in IAS-39 Financial Instruments: Recognition and Measurement, the gains/losses on remeasurement of Available for Sale Financial Instruments is now taken to equity, instead of taking these to the Profit and Loss Account, as being done previously. This change had no effect on the current and previous period's Profit and Loss Account and retained earnings.

	Note	March 31, 2005	December 31, 2004
		(Rupees '000)	
4. SHARE CAPITAL			
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
		March 31, 2005	December 31, 2004
256,495,902		256,495,902	256,495,902
82,719,930		38,474,385	38,474,385
		Ordinary shares of Rs 10 each fully paid in cash.	Ordinary shares of Rs. 10 each issued as fully paid bonus shares.
		2,564,959	2,564,959
		827,199	384,744
339,215,832		3,392,158	2,949,703
AUTHORISED CAPITAL			
This represents 500,000,000 (2004: 500,000,000) ordinary shares of Rs 10 each.			
5. REVENUE RESERVES			
General reserve		7,450,000	7,450,000
Unappropriated profit		732,328	1,292,749
		8,182,328	8,742,749
6. NON CURRENT LIABILITIES			
Long term financing - secured	6.1	4,506,359	5,010,824
Long term murabaha - secured	6.2	125,000	125,000
Government of Pakistan loan - secured	6.2	1,741	1,741
		4,633,100	5,137,565
Less: Amount payable within twelve months shown as current maturity		1,872,943	2,269,162
		2,760,157	2,868,403
6.1 Movement in this account during the period/year is as follows:			
Opening balance		5,010,824	5,835,490
Exchange rate variations/disbursements during the period/year		—	657,890
Exchange rate variations/repayments during the period/year		(504,465)	(1,482,556)
Closing balance		4,506,359	5,010,824

6.2 There is no change in the status of these balances since December 31, 2004.

Notes to the Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

	March 31, 2005	December 31, 2004
	(Rupees '000)	
7. CONTINGENCIES AND COMMITMENTS		
(a) Contingencies		
(i) Guarantees issued by banks on behalf of the Company	17,803	26,828
(ii) Demand in respect of import of duty-free first charge catalysts for the expansion unit, which matter has been decided in favour of the Company by the High Court of Sindh. This issue is currently pending in the Supreme Court on appeal filed by the Customs authorities.	179,000	179,000
(iii) Disputed demand for Income tax and levy of contribution to Workers' Welfare Fund related to former PSFL decided in favour of the Company by the income tax appellate authorities, are currently in appeal by the department. The Company is confident that there are reasonable grounds for a favourable decision.	295,590	295,590
(iv) Income tax demands, not acknowledged as debt, have been challenged by the Company and are currently in appeal; The Company expects favourable outcome of appeal.	66,000	66,000
(v) Claims against the Company and/ or potential exposure not acknowledged as debt.	62,776	62,776
(b) Commitments in respect of:		
(i) Capital expenditure - contracted	373,902	461,006
(ii) Purchase of fertilizer, stores, spares and other revenue items.	274,863	254,212
(iii) Commitment for equity investment in Pakistan Maroc Phosphore S.A.	529,162	545,903
(iv) Rentals under lease agreements:		
Premises	102,583	103,635
Vehicles	241,011	252,000

Notes to the Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

	Note	March 31, 2005	December 31, 2004
		(Rupees '000)	
8. PROPERTY, PLANT & EQUIPMENT			
Opening written down value		9,180,716	9,259,008
Additions		156,956	930,040
Written down value of disposals/adjustments		(28,802)	(307,858)
Depreciation		(169,580)	(700,474)
Closing written down value		9,139,290	9,180,716
9. LONG TERM INVESTMENTS			
Investment in subsidiary - at cost			
Fauji Fertilizer Bin Qasim Limited (FFBL)		4,752,330	4,752,330
Advance against equity investment in foreign company			
Pakistan Maroc Phosphore S.A., Morocco			
Advance against issue of shares		179,300	179,300
Investments available for sale			
Certificates of investment		251,213	246,525
Government of Pakistan Special			
US Dollar Bonds		507,588	969,486
National Savings Certificates		—	500,000
		758,801	1,716,011
Investment at fair value through profit and loss			
Meezan Balanced Fund		111,700	101,300
Investments held to maturity			
Pakistan Investment Bonds		700,000	700,000
Term Finance Certificates		120,355	20,355
		820,355	720,355
		6,622,486	7,469,296
Less: Maturing within twelve months shown under current assets	10		
Investments available for sale			
Certificates of investment		12,456	12,456
Government of Pakistan Special			
US Dollar Bonds		507,588	969,486
National Savings Certificates		—	500,000
		520,044	1,481,942
Investments held to maturity			
Pakistan Investment Bonds		100,000	100,000
Term Finance Certificates		20,355	20,355
		120,355	120,355
		640,399	1,602,297
		5,982,087	5,866,999

Notes to the Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

	March 31, 2005	December 31, 2004
	(Rupees '000)	
10. SHORT TERM INVESTMENTS		
Term deposits with banks and financial institutions		
Local currency		
Available for sale (net of provision for doubtful recovery Rs 13,000 thousand ; 2004: Rs 13,000 thousand)	300,000	2,550,000
Foreign currency		
Held to maturity	696,517	311,860
Current maturity of long term investments		
Available for sale	520,044	1,481,942
Held to maturity	120,355	120,355
	1,636,916	4,464,157
	March 31, 2005	March 31, 2004
	(Rupees '000)	
11. COST OF SALES		
Raw materials consumed	1,010,406	902,062
Fuel and power	609,182	552,118
Chemicals and supplies	38,647	29,847
Salaries, wages and benefits	310,948	263,518
Rent, rates and taxes	2,374	2,602
Insurance	23,646	24,867
Technical services	3,975	3,480
Travel and conveyance	23,592	14,322
Repairs and maintenance	196,671	167,929
Depreciation	166,209	177,460
Communication, establishment and other expenses	83,522	66,264
Opening stock-work in process	10,192	21,410
Closing stock-work in process	(15,334)	(29,985)
Cost of goods manufactured	2,464,030	2,195,894
Add: Opening stock of manufactured urea	22,384	542,435
Less: Closing stock of manufactured urea	(30,523)	(545,867)
	(8,139)	(3,432)
Cost of sales - own manufactured urea	2,455,891	2,192,462
Opening stock of purchased fertilizers	156,696	102,702
Purchase of fertilizers for resale	215,470	—
	372,166	102,702
Less: Closing stock of purchased fertilizers	(66,601)	(64,420)
Cost of sales - purchased fertilizers	305,565	38,282
	2,761,456	2,230,744

Notes to the Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

	March 31, 2005	March 31, 2004
	(Rupees '000)	
12. EARNINGS PER SHARE		
Net profit after tax	833,314	706,560
Weighted average number of shares in issue during the period	339,216	339,216
Basic and diluted earnings per share (Rupees)	2.46	2.08

There is no dilutive effect on the basic earnings per share of the Company.

Number of shares in issue during the quarter ended March 31, 2004 have been restated for the effect of bonus shares issued subsequent to that date.

	March 31, 2005	March 31, 2004
	(Rupees '000)	
13. CASH GENERATED FROM OPERATIONS		
Net profit before taxation	1,306,314	1,107,560
Adjustments for:		
Depreciation	168,606	180,073
Amortization of goodwill	26,154	26,154
Finance cost	71,750	72,839
Gain on sale of property, plant & equipment	(12,174)	(5,070)
Income on loans, deposits and investments	(75,302)	(97,549)
Exchange gain	(12,293)	(8,999)
	166,741	167,448
	1,473,055	1,275,008
Changes in working capital (Increase)/ decrease in current assets		
Stores and spares	(72,743)	(20,658)
Stock in trade	77,539	(6,635)
Trade debts	968,656	826,082
Loans and advances	(840)	8,357
Deposits and prepayments	(123,598)	(100,004)
Other receivables	13,963	4,830
Decrease in current liabilities		
Trade and other payables	(2,357,502)	(1,120,191)
	(1,494,525)	(408,219)
Changes in long term loans and advances	2,567	(305)
Changes in long term deposits and prepayments	362	30
	(18,541)	866,514

Notes to the Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

	March 31, 2005	March 31, 2004
	(Rupees '000)	
14. TRANSACTIONS WITH RELATED PARTIES		
Fauji Foundation		
Office rent	600	600
Sale of fertilizer	—	1,551
Medical services	—	4
Fauji Fertilizer Bin Qasim Limited (FFBL)		
Marketing of fertilizer on behalf of FFBL under sale on consignment basis	43,819	24,741
Commission on sale of FFBL products	4,452	2,456
Services and materials provided	54,928	1,948
Services and materials received	448	377
Remittance of collections from FFBL debtors	2,705,927	1,719,934
Consignment account payable	222,545	141,135
Mari Gas Company Limited		
Purchase of gas as feed and fuel stock	1,486,844	1,337,469
Haldor Topsoe A/s, Denmark		
Technical services received	3,975	3,480
Payments to:		
Employees' Provident Fund Trust	26,575	24,462
Employees' Gratuity Fund Trust	35,825	29,022
Employees' Pension Fund Trust	33,178	29,627

15. GENERAL

15.1 FACILITIES OF LETTERS OF GUARANTEE AND LETTERS OF CREDIT

Facilities of letters of guarantee and letters of credit amounting to Rs 20,000 thousand and Rs 2,575,000 thousand (2004: Rs 20,000 thousand and Rs 2,575,000 thousand) respectively are available to the Company under a lien against investment and first charge by way of equitable mortgage on all fixed assets of the Company.

15.2 The Board of Directors in their meeting held on April 26, 2005 have proposed first interim dividend of Rs 2.50 per share. First interim dividend shall be recorded as liability in the financial statements for the next quarter as required by International Accounting Standard 10: "Events after the Balance Sheet Date".

15.3 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

15.4 Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.

15.5 These financial statements have been authorised for issue by the Board of Directors of the Company on April 26, 2005.


Chairman


Chief Executive


Director



Consolidated Financial Statements



Consolidated Balance Sheet

	Note	March 31, 2005	December 31, 2004
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	3,392,158	2,949,703
Capital reserve		276,184	276,184
Reserve for issue of bonus shares		508,824	442,455
Revenue reserves	5	7,141,321	7,508,753
		11,318,487	11,177,095
MINORITY INTEREST		3,692,415	3,508,218
		15,010,902	14,685,313
NON CURRENT LIABILITIES	6	12,940,854	13,164,024
DEFERRED TAXATION		2,442,778	2,407,000
CURRENT LIABILITIES			
Trade and other payables		4,579,415	7,729,769
Interest and mark - up accrued		118,373	101,769
Short term borrowings		1,882,198	1,276,625
Current portion of:			
- Long term financing		2,204,813	2,601,032
- Long term murabaha		122,012	122,012
- Long term loans		649,942	649,942
- Liabilities against assets subject to finance lease		6,100	6,467
Taxation		1,076,878	598,297
		10,639,731	13,085,913
CONTINGENCIES AND COMMITMENTS	7		
		41,034,265	43,342,250

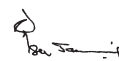
The annexed notes 1 to 15 form an integral part of these consolidated financial statements.

As At March 31, 2005 (Un-Audited)

	Note	March 31, 2005	December 31, 2004
		(Rupees '000)	
PROPERTY, PLANT AND EQUIPMENT	8	23,491,583	23,720,065
INTANGIBLE ASSETS		1,752,309	1,778,464
LONG TERM INVESTMENTS	9	1,588,357	1,473,269
LONG TERM LOANS AND ADVANCES		64,761	67,328
LONG TERM DEPOSITS AND PREPAYMENTS		21,648	22,010
DEFERRED TAX ASSET		—	143,527
CURRENT ASSETS			
Stores, spares and loose tools		2,353,127	2,247,710
Stock in trade		1,212,522	471,432
Trade debts		548,532	1,838,982
Loans and advances		305,184	293,759
Deposits and prepayments		150,233	26,975
Other receivables		691,447	660,129
Short term investments	10	1,636,916	4,464,157
Cash and bank balances		7,217,646	6,134,443
		14,115,607	16,137,587
		<u>41,034,265</u>	<u>43,342,250</u>


Chairman


Chief Executive


Director

Consolidated Profit and Loss Account

for the first quarter ended March 31, 2005 (Un-Audited)

	Note	March 31, 2005	March 31, 2004
		(Rupees '000)	
Sales		7,028,898	5,244,956
Cost of sales	11	4,341,764	3,345,966
GROSS PROFIT		2,687,134	1,898,990
Administrative expenses and distribution cost		711,827	553,842
		1,975,307	1,345,148
Finance cost		121,802	90,109
Other expenses.		157,571	120,284
		1,695,934	1,134,755
Other income		202,874	125,026
NET PROFIT BEFORE TAXATION		1,898,808	1,259,781
Provision for taxation		688,308	442,358
NET PROFIT AFTER TAXATION		1,210,500	817,423
ATTRIBUTABLE TO:			
Equity holders of FFC		1,026,303	764,464
Minority interest		184,197	52,959
Earnings per share -basic and diluted (Rupees)	12	3.03	2.25

The annexed notes 1 to 15 form an integral part of these consolidated financial statements.


Chairman


Chief Executive



Director

Consolidated Cash Flow Statement

for the first quarter ended March 31, 2005 (Un-Audited)

	Note	March 31, 2005	March 31, 2004
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	77,285	1,045,399
Payments for:			
Finance cost paid		(105,198)	(82,975)
Income tax paid		(38,108)	(857,838)
		(143,306)	(940,813)
Net cash (used in) / from operating activities		(66,021)	104,585
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(174,581)	(254,808)
Sale proceeds of fixed assets		14,577	7,461
Income received on loans, deposits and investments		131,232	97,065
Increase in investments		(329,947)	(25,653)
Net cash used in investing activities		(358,719)	(175,935)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		(606,809)	(150)
Long term loans - repayments		—	(870)
Long term murabaha - repayments		(9,669)	—
Finance lease paid		(1,385)	(3,012)
Short term borrowings		605,573	(1,395,806)
Dividends paid		(1,532,267)	(916,547)
Net cash used in financing activities		(1,544,557)	(2,316,385)
Net decrease in cash and cash equivalents		(1,969,297)	(2,387,735)
Cash and cash equivalents at beginning of the period		9,186,943	4,658,626
Cash and cash equivalents at close of the first quarter representing cash and bank balances		7,217,646	2,270,891

The annexed notes 1 to 15 form an integral part of these consolidated financial statements.


Chairman


Chief Executive


Director

Consolidated Statement of Changes in Equity

for the first quarter ended March 31, 2005 (Un-Audited)

	Attributable to equity holders of FFC					Minority Interest	Total Equity
	Share capital	Capital reserve	Reserve for issue of bonus shares	General reserve	Unappropriated profit		
(R u p e e s ' 0 0 0)							
Balance at January 1, 2004	2,564,959	279,267	–	8,600,000	(1,536,173)	2,869,903	12,777,956
Net Profit for the quarter ended March 31, 2004	–	–	–	–	764,464	52,959	817,423
Dividends:							
First interim Rs 3.25 per share	–	–	–	–	(833,612)	–	(833,612)
Balance at March 31, 2004	2,564,959	279,267	–	8,600,000	(1,605,321)	2,922,862	12,761,767
Balance at January 1, 2005	2,949,703	276,184	442,455	7,450,000	58,753	3,508,218	14,685,313
Net profit for the quarter ended March 31, 2005	–	–	–	–	1,026,303	184,197	1,210,500
Dividends:							
Final 2004: Rs 3.00 per share	–	–	–	–	(884,911)	–	(884,911)
Transfer from unappropriated profit	–	–	508,824	–	(508,824)	–	–
Bonus shares issued	442,455	–	(442,455)	–	–	–	–
Balance at March 31, 2005	3,392,158	276,184	508,824	7,450,000	(308,679)	3,692,415	15,010,902

The annexed notes 1 to 15 form an integral part of these consolidated financial statements.


Chairman


Chief Executive


Director

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

1. Fauji Fertilizer Company Limited (FFC/ parent company) and its subsidiary, Fauji Fertilizer Bin Qasim Limited (FFBL) are incorporated in Pakistan as public limited companies and their shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered offices of the companies are situated in Rawalpindi, Pakistan. The principal activity of FFC and its subsidiary is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical manufacturing operations.
2. Accounting policies adopted for preparation of these consolidated financial statements are the same as those applied in preparation of the annual consolidated financial statements for the year ended December 31, 2004 except that due to changes in IAS-39 Financial Instruments: Recognition and Measurement, the gains/losses on remeasurement of Available for Sale Financial Instruments is now taken to equity, instead of taking these to the Profit and Loss Account as being done previously. This change had no effect on the current and previous periods' Profit and Loss Account and retained earnings.
3. These consolidated financial statements are unaudited and are presented in condensed form in accordance with the requirements of International Accounting Standard IAS 34 'Interim Financial Reporting'.

	Note	March 31, 2005	December 31, 2004
		(Rupees '000)	
4. SHARE CAPITAL			
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
		March 31, 2005	December 31, 2004
256,495,902		256,495,902	256,495,902
Ordinary shares of Rs.10 each fully paid in cash		2,564,959	2,564,959
82,719,930		82,719,930	82,719,930
Ordinary shares of Rs.10 each issued as fully paid bonus shares.		38,474,385	38,474,385
339,215,832		339,215,832	294,970,287
AUTHORISED SHARE CAPITAL			
This represents 500,000,000 (2004: 500,000,000) ordinary shares of Rs 10 each.			
5. REVENUE RESERVES			
General reserve		7,450,000	7,450,000
Unappropriated profit		(308,679)	58,753
		7,141,321	7,508,753
6. NON CURRENT LIABILITIES			
Long term financing - secured	6.1	7,112,258	7,720,960
Long term murabaha - secured	6.2	366,740	376,409
Long term loans- Government of Pakistan loans	6.3	8,428,351	8,428,351
Liabilities against assets subject to finance lease	6.4	16,372	17,757
		15,923,721	16,543,477
Less: Amount payable within twelve months shown as current maturity		2,982,867	3,379,453
		12,940,854	13,164,024
6.1 MOVEMENT DURING THE PERIOD / YEAR IS AS FOLLOWS:			
Opening balance		7,720,960	8,754,100
Exchange rate variations/disbursements during the period/year		—	657,890
Exchange rate variations/repayments during the period/year		(608,702)	(1,691,030)
Closing balance		7,112,258	7,720,960

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

	March 31, 2005	December 31, 2004
	(Rupees '000)	
6.2 MOVEMENT DURING THE PERIOD / YEAR IS AS FOLLOWS:		
Opening balance	376,409	395,748
Repayments during the period/year	(9,669)	(19,339)
Closing balance	366,740	376,409
6.3 There is no change in the status of these balances since December 31, 2004.		
6.4 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Not later than one year	6,100	6,467
Later than one year but not later than five years	10,272	11,290
	16,372	17,757
7. CONTINGENCIES AND COMMITMENTS		
a) Contingencies		
i) Guarantees issued by banks on behalf of the Group companies.	36,711	45,736
ii) Demand in respect of import of duty-free first charge catalysts for the expansion unit, which matter has been decided in favour of the FFC by the High Court of Sindh. This issue is currently pending in the Supreme Court on appeal filed by the Customs authorities.	179,000	179,000
iii) Disputed demand for Income tax and levy of contribution to Workers' Welfare Fund related to former PSFL decided in favour of FFC by the income tax appellate authorities, are currently in appeal by the department. FFC is confident that there are reasonable grounds for a favourable decision.	295,590	295,590
iv) Income tax demands, not acknowledged as debt, have been challenged by the Group companies and are currently in appeal; the Group companies expect favourable outcome of appeal.	115,745	115,745
v) Claims against the Group companies and/or potential exposure not acknowledged as debt.	83,350	83,350
vi) Indemnity bonds and undertakings given to the customs authorities for the machinery imported by FFBL for installation at plant site	119,650	119,650
b) Commitments in respect of:		
i) Capital expenditure:		
Contracted	1,159,090	762,977
Non-contracted	2,403,345	3,046,658
ii) Purchase of fertilizer, stores, spares and other revenue items.	762,459	624,075
iii) Commitment for equity investment in Pakistan Maroc Phosphore S.A.	1,587,486	1,637,708
iv) Rentals under lease agreements:		
Premises	102,583	103,635
Vehicles	241,011	252,000

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

	March 31, 2005	December 31, 2004
Note	(Rupees '000)	
8. FIXED ASSETS		
Opening written down value	23,720,065	24,437,864
Additions	203,671	1,222,633
Written down value of disposals/ adjustments	(29,234)	(309,859)
Depreciation	(402,919)	(1,630,573)
Closing written down value	23,491,583	23,720,065
9. LONG TERM INVESTMENTS		
Advance against equity investment in foreign company Pakistan Maroc Phosphore S.A., Morocco		
Advance against issue of shares	537,900	537,900
Investments available for sale		
Certificates of investment	251,213	246,525
Government of Pakistan Special US Dollar Bonds	507,588	969,486
National Savings Certificates	—	500,000
	758,801	1,716,011
Investments at fair value through profit and loss Meezan Balanced Fund	111,700	101,300
Investments held to maturity		
Pakistan Investment Bonds	700,000	700,000
Term Finance Certificates	120,355	20,355
	820,355	720,355
	2,228,756	3,075,566
Less: Maturing within twelve months shown under current assets	10	
Investments available for sale		
Certificates of investment	12,456	12,456
Government of Pakistan Special US Dollar Bonds	507,588	969,486
National Savings Certificates	—	500,000
	520,044	1,481,942
Investments held to maturity		
Pakistan Investment Bonds	100,000	100,000
Term Finance Certificates	20,355	20,355
	120,355	120,355
	640,399	1,602,297
	1,588,357	1,473,269
10. SHORT TERM INVESTMENTS		
Term deposits with banks and financial institutions		
Local currency		
Available for sale (net of provision for doubtful recovery Rs 13,000 thousand ; 2004: Rs 13,000 thousand)	300,000	2,550,000
Foreign currency		
Held to maturity	696,517	311,860
Current maturity of long term investments		
Available for sale	520,044	1,481,942
Held to maturity	120,355	120,355
	1,636,916	4,464,157

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

	March 31, 2005	March 31, 2004
	(Rupees '000)	
11. COST OF SALES		
Raw materials consumed	2,554,465	1,906,259
Fuel and power	842,263	744,381
Chemicals and supplies	56,449	47,067
Salaries, wages and benefits	380,812	330,261
Rent, rates and taxes	7,463	7,471
Insurance	34,578	35,697
Technical services	3,975	3,480
Travel and conveyance	29,212	19,826
Repairs and maintenance	232,115	243,389
Depreciation	396,958	405,939
Amortization of intangible asset	—	6,675
Communication, establishment and other expenses	85,143	72,339
Opening stock - work in process	14,674	27,875
Closing stock - work in process	(17,499)	(39,453)
Cost of goods manufactured	4,620,608	3,811,206
Add: Opening stock - manufactured fertilizers	61,787	610,869
Less: Closing stock - manufactured fertilizers	(703,941)	(1,114,391)
	(642,154)	(503,522)
Cost of sales - own manufactured fertilizers	3,978,454	3,307,684
Opening stock - purchased fertilizers	161,447	102,702
Purchase of fertilizers for resale	268,464	—
	429,911	102,702
Less: Closing stock of purchased fertilizers	(66,601)	(64,420)
Cost of sales - purchased fertilizers	363,310	38,282
	4,341,764	3,345,966
12. EARNINGS PER SHARE		
Net profit after tax attributable to equity holders of FFC.	1,026,303	764,464
Weighted average number of shares in issue during the period	339,216	339,216
Basic and diluted earnings per share (Rupees)	3.03	2.25

There is no dilutive effect on the basic earnings per share of the Group companies attributable to equity holders of FFC.

Number of shares in issue during the quarter ended March 31, 2004 have been restated for the effect of bonus shares issued subsequent to that date.

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

	March 31, 2005	March 31, 2004
	(Rupees '000)	
13. CASH GENERATED FROM OPERATIONS		
Net Profit before taxation	1,898,808	1,259,781
Adjustments for:		
Depreciation	401,945	410,187
Amortization of goodwill	26,154	26,154
Amortization of intangible asset	—	7,985
Finance cost	121,802	90,109
Gain on sale of fixed assets	(13,460)	(6,167)
Income on loans, deposits and investments	(145,724)	(113,240)
Exchange gain	(12,293)	(8,999)
	378,424	406,029
	2,277,232	1,665,810
Changes in working capital		
(Increase)/decrease in current assets:		
Stores and spares	(105,420)	(11,009)
Stock in trade	(741,090)	(531,424)
Trade debts	1,290,450	987,148
Loans and advances	(11,425)	(3,439)
Deposits and prepayments	(123,260)	(99,444)
Other receivables	(119,304)	(114,249)
Decrease in current liabilities:		
Creditors, accrued and other liabilities	(2,392,827)	(835,474)
	(2,202,876)	(607,891)
Changes in long term loans and advances	2,567	(305)
Changes in long term deposits, prepayments and deferred costs	362	(12,216)
	77,285	1,045,398

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2005 (Un-Audited)

	March 31, 2005	March 31, 2004
	(Rupees '000)	
14. TRANSACTIONS WITH RELATED PARTIES		
Fauji Foundation		
Office rent	769	754
Sale of fertilizer	193	3,416
Receivables on account of sale of goods	617	2,073
Medical services	—	4
Mari Gas Company Limited		
Purchase of gas as feed and fuel stock	1,486,844	1,337,469
Haldor Topsoe A/s, Denmark		
Technical services received	3,975	3,480
Pak Kuwait Investment Company (Pvt) Limited		
Financial Charges on loan	3,166	1,587
Loan and financial charges payable	288,880	320,000
Maroc Phosphore S.A., Morocco		
Raw material purchased	1,089,966	778,135
Payment to:		
Employees' Provident Fund Trust	28,792	26,466
Employees' Gratuity Fund Trust	35,825	29,022
Employees' Pension Fund Trust	33,178	29,627

15. GENERAL

15.1 FACILITIES OF LETTERS OF GUARANTEE AND LETTERS OF CREDIT

Facilities of letters of guarantee and letters of credit amounting to Rs 20,000 thousand and Rs 2,575,000 thousand (2004: Rs 20,000 thousand and Rs 2,575,000 thousand) respectively are available to the Company under a lien against investment and first charge by way of equitable mortgage on all fixed assets of the Company.

15.2 The Board of Directors of FFC in their meeting held on April 26, 2005 have proposed first interim dividend of Rs.2.50 per share. First interim dividend shall be recorded as liability in the financial statements for the next quarter as required by International Accounting Standard 10: " Events after the Balance Sheet Date".

15.3 Figures have been rounded off to the nearest thousand of rupees unless other wise stated.

15.4 Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.

15.5 These consolidated financial statements have been authorised for issue by the Board of Directors of FFC on April 26, 2005.



Chairman



Chief Executive



Director

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